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# Women in Enterprise: A Different Perspective

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**INSPIRING**  
WOMEN IN  
ENTERPRISE



# INSPIRING WOMEN IN ENTERPRISE

We're committed to promoting economic growth and to fostering the right conditions for people to turn their ideas into business success.

**RBS Inspiring Enterprise**  
is how we encourage more  
people in more communities to  
explore enterprise, build their  
skills and start up in business.

## Foreword



RBS has been helping people to start up and succeed in business for nearly 300 years. Supporting enterprise is a fundamental part of what we do through our products, services, partnerships and sponsorships. In 2011, we opened over 100,000 start-up accounts across the UK and provided over 40p in every £1 lent to small and medium sized enterprises.

We're also proud to say that, last year, RBS opened more bank accounts for women starting their own business than any other bank. Since 2007 we have provided tailored specialist support and advice for women-led business through our dedicated Women in Business Specialists, who are in the course of being trained and accredited by Chartered Banker and everywoman.

So, when statistics show that women make up 51% of the UK population but only 17% of business owners are female – and that men are twice as likely to start a business as women – we think it's worth finding out why and what we can do about it.

RBS commissioned this report from Aston University to try to understand why women appear to be so under-represented in ranks of UK entrepreneurs. We wanted a detailed picture of gender and entrepreneurship in the UK so we could understand the challenges that women are facing and get a sense of what more can be done.

This report takes a fresh look at the evidence around the influence of gender on entrepreneurial intentions, self-employment and business ownership. It makes a number of recommendations which seek to remove barriers and increase opportunities for women to be successful entrepreneurs.

It also recognises that a great deal of good work is already underway to inspire and enable more women entrepreneurs. But many of the underlying factors are complex and cultural, and it is clear that more needs to be done if we are to make a long-term significant change in the arena of women's enterprise.

We hope that you find this report useful.

**Chris Sullivan**

Chief Executive Officer  
Corporate Banking Division  
RBS Group

# Executive summary

## Women in business

A notable trend within developed economies since the 1950s has been women's increasing labour force participation such that they now, on average, form around 48% of employees in developed economies and about 66% of women, compared to 80% of men, are economically active. However, this level of participation has not been reflected in levels of either women's self-employment or business ownership where there are significant gaps between men and women.

Eventually, we should aim to stop referring to 'women' entrepreneurs but simply note there are segments of people within the population who are entrepreneurial but whose gender is no longer of interest or note.

## Global Entrepreneurship Monitor (GEM)

We set out the evidence on women entrepreneur in the UK economy. We rely on the Global Entrepreneurship Monitor (GEM)<sup>1</sup> UK and international datasets to provide detailed information on women and their entrepreneurial aspirations and activity. This is the only source of consistent annual data that identifies those active in business creation, what those businesses are, and their growth aspirations.

## Women entrepreneurs in the UK economy

Women in the UK are about half as likely as their male counterparts to begin new firms. This is a common finding throughout most developed and developing economies. Once in business however, few gender-related performance differences are evident amongst the self-employed or small firm owners. So, women are neither better nor worse entrepreneurs than men once we control for a number of other contextual factors such as education. However, amongst those firms which do grow, women are under-represented. Thus, the key gender-related differences within enterprise and entrepreneurship are start-up rates and growth rates. In summary, this report suggests that:

### Women and entrepreneurship

- Women appear to "use" business ownership differently to men. They appear to be more willing to trade-off between their work and other areas of their lives. They are also more likely to use self-employment as a temporary solution within a wider career path.
- Women do not have any individual or collective 'entrepreneurial deficit' but their socio-economic position in society is highly influential in shaping their attitudes towards running successful small businesses.
- Women attribute their business exits less to failure and more to personal reasons, especially amongst the 25-34 age group.

<sup>1</sup> See [www.gemconsortium.org](http://www.gemconsortium.org) for more details about the origins and methodology of the GEM Global project. The Global Entrepreneurship Monitor (GEM) programme was developed in the UK in 1998, and produced a standardized procedure for using random samples of adults to identify individuals active at different stages of the firm creation process, from start-up ventures to established firms. Since inception this research protocol has been implemented in almost 80 countries representing over three quarters of the world population. Most European countries, including the UK, have completed annual assessments since 1999. The GEM programme is not just another source of data; it can be seen as a new paradigm of research and operationalization of aspects of entrepreneurship. The GEM data is now well accepted within the academic and policy community. The GEM UK dataset for the period 2002-2011 contains information on ~200,000 respondents and is the largest in the GEM Global project. For example, the GEM UK sample size for 2011 was ~10,000.

### ***Business characteristics***

- Women are more likely to own firms which operate from home, are part-time and are in lower-order services. This makes them more likely to have limited growth trajectories.
- Because of high rates of entry and exit in these preferred sectors, womens' share of business ownership has barely changed since 1992, even though increasing numbers of women are now entering self-employment, or stating that they are self-employed.
- Although women-owned firms are less likely to exhibit growth there is no evidence to suggest that those women entrepreneurs who strategically target growth will be any less successful than their male counterparts.
- Women-owned firms outperform those owned by their male counterparts, when firm characteristics are controlled for (i.e., business age, sector and size) as well as the attributes of the individual (i.e. education, age and income).

### ***Business funding***

- There are few gender-related differences in terms of sources of funding of start-ups.
- Once the business characteristics (e.g. size, age, sector, risk rating) are taken into account, women-led businesses do not pay higher borrowing costs than men-led businesses.
- Women-led businesses are significantly less likely to be using external finance than men-led business. This is true even after business characteristics are taken into account.
- Amongst growth firms seeking equity finance, there are much fewer women-owned businesses (than men-owned). This evidence suggests that, combined with the very small number of women who are venture capitalists, women-owned business owners are constrained in their experience, consideration and use of such finance.

### ***Redressing the image imbalance***

- Prevailing entrepreneurial role models reflect masculine bias and this is reinforced in popular media, education and government policy. Whilst this is beginning to change – we are seeing an increasing number of female role models emerging – there is still a long way to go.
- Promoting and including more diverse role models is essential to encourage more girls and young women to consider self-employment as acceptable and achievable.
- Encouraging younger women with higher educational capital into enterprise will begin to dispel the myths that women are not suitable or talented entrepreneurs. It will also ensure that women-owned firms are distributed more widely across the general business population.

## Summary and recommendations

This report describes and reviews the influence of gender upon entrepreneurial intentions, self-employment and business ownership. Specifically, we explored women's entrepreneurship. From the evidence presented we found that there are three main gender differences in entrepreneurship: in start-up rates, the nature of the businesses they run and growth intentions. In addition, there is a rather complex picture of business financing and some concerns regarding popular depictions of entrepreneurial role models.

From these findings, we suggest a range of interventions designed to address these gaps which are sensitive to the context of women's entrepreneurship and which could be addressed by a range of public, private and third sector institutions, including the media, resource providers, education and training bodies and state and semi-stage agencies. 'Closing the gap' type approaches (i.e., those predicated on a 'if only there were the same number of...' type arguments) are often too simplistic. While they are a useful starting point they fail to recognise the context in which women seek to develop an expression of their entrepreneurial aspirations and intentions.

These recommendations seek to provide a framework for strengthening the role of women in driving entrepreneurship in the UK. We do so in the knowledge that many overlap with previous recommendations and initiatives. But it is clear that more needs to be done if we are to make a long-term significant change in the arena of women's enterprise.

- **Role models:** Entrepreneurial role models play a critical role. There have been many examples of how this can be done successfully: current examples include everywoman and the Female Entrepreneur Association (FEA). Some specific recommendations for role models include:
  - female ambassadors in key business sectors are needed to showcase achievements and encourage more girls/young women to engage in business ownership as a preferred career;
  - Innovations in the portrayal of enterprise and entrepreneurial role models in the media are long overdue. It needs to move away from a preoccupation with pure entertainment and move towards the reality of starting and running a successful business;
  - Challenging associations between gender and entrepreneurship is imperative. It should not be special or extraordinary for girls and women to be active in entrepreneurial activities.
- **Mentoring:** Role models can only go so far. They raise awareness and inspire but they are unable to deliver the required outcomes on their own. Mentoring is seen as an important way of sustaining start-ups and building growth ambitions and current provision needs to be strengthened. Finding appropriate and challenging mentors for women business owners can be difficult. This means encouraging more women mentors but also raising awareness of gender bias among staff of existing business support organisations. More schemes such as those within the Inspirational Journey initiative developed by RBS/NatWest would add value in this area.

- **Non-gender business networks:** In addition to women business networks such as everywoman, women business owners need to be connected to business networks which are not defined by gender but by a shared experience and trust as well as a shared ambition. Business Schools can provide an environment to enable that to happen but too often they are caught up in the male-dominated corporate world and are less connected to the host of successful women business owners on their doorstep. Building networks of growth-oriented small business owners (both women and men) through seminars, workshops, and short courses (delivered in novel ways embracing social media) should be high on the agenda of all UK Business Schools and colleges. The Gazelle Group of Further Education colleges is a relatively new and exciting development in this space.
- **Entrepreneurial aspiration:** Schools, colleges and universities represent a unique opportunity to foster entrepreneurial aspiration among girls and young women. There are many enterprise initiatives in the education sector across the UK, and these need to be supported more intensively and connected to tangible rewards for young people. The current generation of "born digital" or millennials provides new opportunities for virtual/online initiatives and "game-ification" to encourage engagement. Starting a business while in full-time education should not be seen as a side-line or extra-curricular activity by young people but integrated into the core curriculum with the appropriate rewards. The developing national network of 'enterprise academies' provide an opportunity for those with a specific interest in entrepreneurship to develop their skill sets in very different ways.
- **Business finance:** Funding remains an issue for business owners and there would appear to be a particular need to ensure that the financial institutions are responding to the needs of women business owners. However, the picture is complex and it is sometimes unhelpful to analyse simply by a gender split. A stronger emphasis upon evidence which challenges assumptions of gender discrimination is vital including developing a more robust analysis of data regarding the use of financial products, including term lending which looks at gender in the context of business age, sector and size.





# INSPIRING WOMEN IN ENTERPRISE

Women do not have any individual or collective entrepreneurial deficit; but their position in society is highly influential in shaping their attitudes towards running successful small businesses.

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# 1. Introduction: women and entrepreneurship

## 1.1 Why focus on women and entrepreneurship?

A notable trend within developed economies since the 1950s has been women's increasing labour force participation such that they now, on average, form around 48% of employees in developed economies and about 66% of women, compared to 80% of men, are economically active<sup>2</sup>. However, this level of participation has not been reflected in levels of either women's self-employment or business ownership. Figure 1 shows that since the early 1970's rates of women's self-employment have continued to be lower than that of men. Global Entrepreneurship Monitor (GEM) data<sup>3</sup> (see Figure 2, on the following page) suggests that in the UK, like in most developed economies, men are twice as likely to expect that they will start a business in the next three years or to be starting or running their own new business as women<sup>4</sup>.

### GEM TEA Index

GEM provides data on the entrepreneurial profile of young people – their attitudes, aspirations and actual engagement in setting up their own business. The GEM national surveys covering ~ 60 countries each year consistently report that the highest number of entrepreneurs can be found in the 25-34 age group. The headline measure in the GEM dataset is the number of people in the early stage of setting up their own business (the GEM Total early-stage Entrepreneurial Activity index – the TEA index). GEM creates an index of early stage entrepreneurial activity (known as TEA) using the following approach: the TEA index is the sum of those respondents classified as nascent entrepreneurs and new firm entrepreneurs. The TEA index does not measure all entrepreneurial activity and is not based on a survey of business entities. It measures the characteristics of entrepreneurial individuals and the types of entities they establish. As such it is a unique and internationally comparative measure of the cultural propensity of a nation, or region, to be entrepreneurial.

**Nascents:** the active planning phase in which the entrepreneur has done something during the past 12 months to help start a new business, a new business that he/she will at least part own, and which has not paid wages or other income to the owners in the past 3 months.

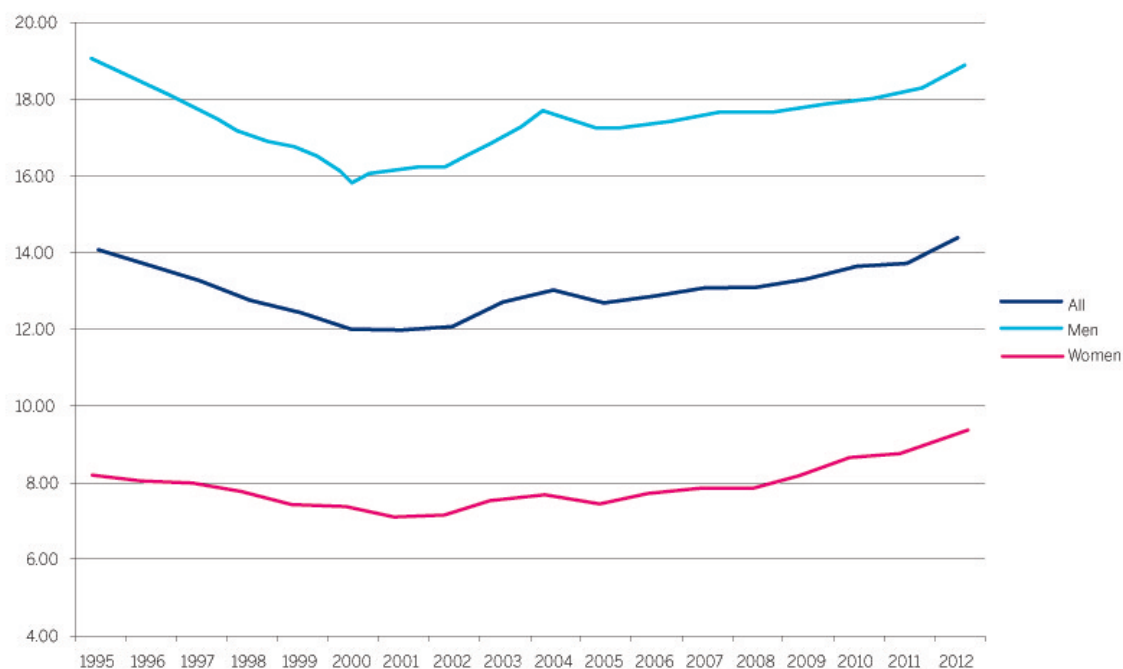
**New Firm Entrepreneurs:** the second phase is defined as from 4 to 42 months after the new venture begins to provide income to the owners. Entrepreneurs who at least part own and manage a new business that has been paying some form of income to the owners for at least 4 and not more than 42 months are referred to as new firm entrepreneurs.

2. Weichselbaumer, D. and Winter-Ebmer, R. (2005), A Meta-Analysis of the International Gender Wage Gap', *Journal of Economic Surveys*, 19 (3) 479 – 511.

3. We rely on the Global Entrepreneurship Monitor (GEM) international datasets to provide detailed information on women's entrepreneurial behaviour. This is the only source of consistent annual data that identifies those active in business creation, what those businesses are, and their growth aspirations.

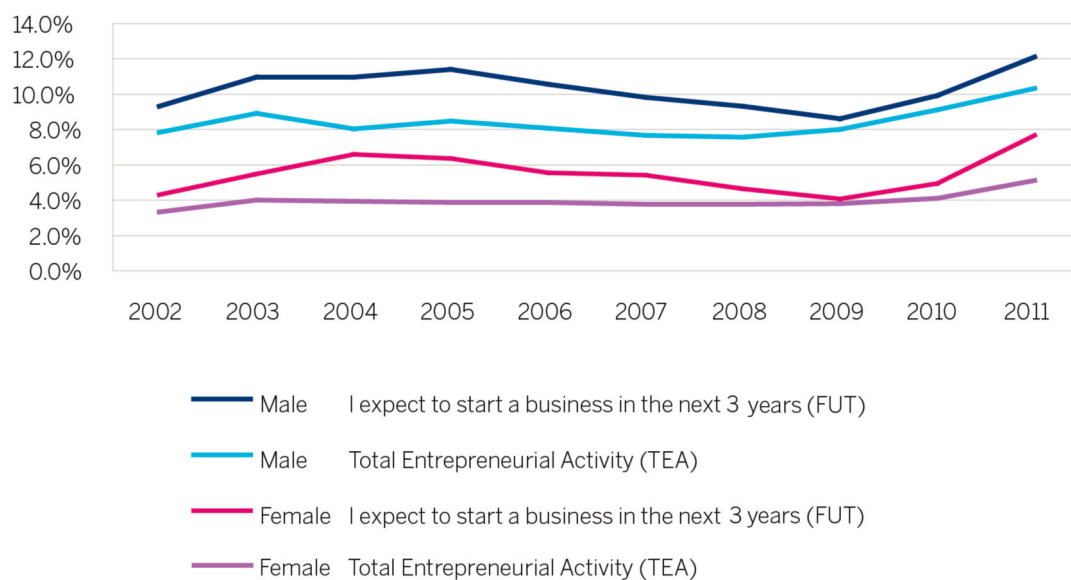
4. Levie, J and Hart, M (2012) Global Entrepreneurship Monitor (GEM) UK Report, 2011, Aston Business School and Hunter Centre for Entrepreneurship, Strathclyde Business School. <http://www1.aston.ac.uk/aston-business-school/research/impact/gem/reports/>

**Figure 1: Percentage of workforce self-employed in the UK by gender**



Source: UK Labour Force Surveys

**Figure 2: Entrepreneurial intention and activity in the UK by gender, 2002-2011**



Source: GEM UK Adult Population Survey 2002-2011

The UK Labour Force Survey<sup>5</sup> data for 2008 indicates that women constitute 26% of the self-employed (people in employment who are not employees) and 17% of business owners (owner/managers/employers). This level of under participation reflects specific social and economic challenges which prevent women from fully developing their entrepreneurial potential. In addition, we know that whilst there are relatively few performance differences between male and female-owned firms, women are under-represented in higher value added sectors<sup>6</sup>. Related to this, they are less likely to own growth-oriented or exporting firms. Finally, the population of female-owned firms demonstrates higher degrees of churn (start-up and closure) so, for example, the UK evidence suggests that since 1980, women were increasing rates of start-up but their share of self-employment has changed little between 1992 and 2008<sup>7</sup>. However, since June 2008 the share of women in self-employment in the UK has increased from 29.4% to 31.5% in June 2012. This means that there are now almost 1.5 million women self-employed which represents an increase of around 300,000 since before the economic downturn.

Clearly, higher rates of start-up are balanced by high rates of closure. However, we need to be careful about assuming that business start-up rates and self-employment rates are measuring the same thing, or that higher rates of closure imply higher rates of failure. For example, in the 2011 GEM survey, only 52% of women who classified themselves as self-employed also reported being women business owner-managers, compared with 74% of men self-employed. Thus, almost half of women self-employed do not see themselves as running a business. To these women, self-employment is another form of employment, rather than running a business. It therefore is perhaps unfair to include these in any assessment of women's enterprise, where "enterprise" is equated with "business".

In relation to business closure, women may have a more realistic view of how well their business is doing and they may have a greater range of competing interests for their time. In fact, GEM UK data suggests the opposite of the assumption that greater churn means greater failure: exited women business owners are more likely to report personal reasons for exit than men and less likely to report business failure-related reasons. The frequency of responses mentioning personal reasons peaks at age 25-34 among women, and there is no such peak among men. But personal reasons are mentioned by women of all age groups at a higher frequency than men. More research is needed on precisely what these reasons are, although we can be fairly sure that caring for young or old family members is probably one of them.

5. UK Labour Force Survey: <http://www.esds.ac.uk/government/lfs/>

6. Marlow, S., Shaw, E. and Carter, S. (2008) 'Constructing Female Entrepreneurship Policy in the UK: Is the USA a Relevant Role Model?' *Environmental Planning C* 26 (1) 335 – 351.

7. See footnote 6.

**Table 1: Principal reason for closing a business in the last 12 months, by age group and gender**

Gender	Age in yrs	The business was not profitable	Problems getting finance	An opportunity to sell the business	Another job or business opportunity	The exit was planned in advance	Retirement	Personal reasons	An incident	Other	Total
Male	18-24	31.2%	3.8%	2.3%	31.4%	12.5%	0.0%	6.4%	6.9%	5.6%	100.0%
	25-34	30.5%	4.3%	5.6%	29.4%	6.2%	0.0%	17.2%	1.1%	5.6%	100.0%
	35-44	31.1%	7.8%	5.0%	18.0%	7.6%	1.6%	15.2%	4.4%	9.3%	100.0%
	45-54	37.2%	5.0%	7.7%	14.8%	2.9%	6.1%	14.8%	3.4%	8.1%	100.0%
	55-64	26.1%	4.3%	8.7%	6.5%	4.8%	22.7%	13.1%	3.4%	10.4%	100.0%
	Total	31.1%	5.4%	6.1%	18.4%	6.4%	6.8%	13.9%	3.7%	8.2%	100.0%
Female	18-24	42.2%	0.0%	0.0%	15.0%	15.6%	0.0%	25.4%	0.0%	1.8%	100.0%
	25-34	21.3%	4.6%	2.1%	17.3%	7.6%	2.7%	34.2%	0.3%	9.8%	100.0%
	35-44	29.2%	2.3%	2.9%	22.7%	6.1%	0.4%	25.1%	1.0%	10.2%	100.0%
	45-54	25.0%	4.9%	3.4%	14.1%	6.4%	8.3%	22.9%	1.8%	13.2%	100.0%
	55-64	20.7%	5.0%	4.2%	4.0%	3.1%	30.4%	19.9%	3.2%	9.4%	100.0%
	Total	25.0%	4.0%	3.0%	14.5%	6.3%	10.0%	25.3%	1.5%	10.3%	100.0%

Source: GEM UK Adult Population Survey 2007-2011 (based on a total sample size of 92,676 18-64 year olds)

Women's unequal participation in business ownership is problematic for several reasons in relation to fairness and equality and also, broader economic prosperity. Evidently, women should not be prevented from starting and growing new businesses merely because of their gender. In addition, if women face additional barriers in creating new ventures which have the potential to innovate, generate wealth and create employment this can affect economic prosperity. So, it is imperative to investigate the particular gender-related challenges women might experience when considering or undertaking new venture creation and when sustaining and/or growing existing businesses.

## 1.2. A short overview of the existing evidence

Both self-employment and business ownership have traditionally been a "man's world". Even today the popularised general term for the entrepreneur is a "small business man". As such, it was presumed that there were a few areas in self-employment, such as personal services (for example, hairdressing) where women dominated but this was an outcome of a female dominated sector and so, 'women's work' rather than any reflection of the desire to be enterprising. Thus, historically policy, practice and research assumed the natural entrepreneur was a man and women were, on the whole, not interested in or not suited to self-employment. Such presumptions have been challenged in recent years with an emerging body of literature questioning the notion that women are uninterested in, or lack the ability to be, self-employed<sup>8</sup>. In addition, governments across the globe have expressed the desire to encourage more women to begin new businesses in order to contribute to economic well-being through the generation of wealth and creation of new employment. The recent 'Global Gender Gap' report from the World Economic Forum underlines yet again the important of equality in driving efficiency and competitiveness in the economy<sup>9</sup>.

8. See overview by Neergaard, H. and Marlow, S. (2011), 'The Emperor's New Clothes: Rendering a feminist theory of entrepreneurship visible', Paper to the 56th ICSB Conference, Stockholm, Sweden.

9. Hausmann, R; Tyson, L and Zahidi, S (2011) The Global Gender Gap Report 2011, World Economic Forum, Geneva, Switzerland.

There is a distinct strand of research, policy and practice focused upon women's business ownership activities that stretches back to the late 1970s. It is notable that approaches to studying female entrepreneurship have demonstrated distinct patterns in terms of focus and approach. These, in turn, have shaped policy support and related initiatives to encourage more women to set up their own business or enter self-employment. Such themes can broadly be categorised as:

**1. Gender as a variable.** Early examinations of women's business ownership explored their experiences of self-employment in comparison to those of their male counterparts – as such, the population of business owners were divided according to gender (male and female) with these two categories compared and contrasted. The difficulty with this approach being that men were taken as the **default** group so what they did and how they managed their firms was taken as normal and natural. This led to many negative comparisons as it was presumed that female-owned firms would be different and indeed, inferior to those of their male counterparts in both performance and growth potential. In other words, the problem lay at the level of the individual such that women needed 'fixing' with special policies and advice so they could learn to be more like men. Indeed, this body of research was influential in shaping government policy in the USA and Europe suggesting that focused initiatives to encourage more women to consider new business start-ups and to offer them specialist support once in business should address their entrepreneurial shortcomings. Despite its limitations, the 'gender as a variable' approach **is** absolutely critical to provide descriptive overviews of the small firm population as long as the sample is sufficiently representative (as in the case of the GEM data).

**2. Feminist critiques.** From the early 2000s an increasingly critical approach was taken to existing assumptions that women entrepreneurs were somehow inferior to their male colleagues<sup>10</sup>. This argument was based upon a number of key critiques related to entrepreneurial propensity (that is, the likelihood to start a new firm), to firm performance (differences between the performance profiles of male and female-owned firms) and to firm growth. First, the culture surrounding entrepreneurship is very masculine such that women as a group feel they are outsiders and reinforces the notion that business ownership is not an appropriate career choice for women. This argument is supported by popular entrepreneurial role models which are inevitably white males – these span from the 'dodgy dealer Del Boy' image to that of the professional wealth creator (Richard Branson) to the technological innovator (James Dyson). Women are much less likely to feature in any list of role models. For example, in a recent study of 16-21 year olds in the UK 48% of the images of enterprise mentioned by young people were of Lord Alan Sugar (29%) or Steve Jobs, Richard Branson, Bill Gates or Donald Trump (19%). No women were specifically mentioned<sup>11</sup>.

Thus, the self or society-imposed structural constraints of women's lives combined with negative stereotypes have limited them as a group as potential entrepreneurs. This is clearly and categorically not an individual short-coming or something which might be easily addressed by policy initiatives. Finally, a careful examination of prevailing ideas regarding the so called 'under-performance' thesis – that women-owned firms have poorer performance profiles than those of men suggesting that women were less competent entrepreneurs – has been questioned. **In fact, research<sup>12</sup> suggests that when firm characteristics (size, sector, age, funding) are controlled for, women-owned firms outperform those owned by their male counterparts.**

10. See for example, Ahl, H.J. (2006). 'Why research on women entrepreneurs needs new directions'. *Entrepreneurship Theory and Practice* 30(5): 595-621.

11. Metcalfe, J (2012) *Enterprising Minds: Enterprise, further education and the UK economy*, Carnegie UK Trust, Dunfermline, Scotland.

12. See Fairlie, R and Robb, A. (2009), 'Gender differences in business performance: evidence from the characteristics of business survey', *Small Business Economics*, 33: 375 – 395; Marlow, S. and McAdam, M. (2013), 'Advancing debate and challenging myths – exploring the alleged case of the under-performing female entrepreneur', *International Journal of Entrepreneurial Behaviour and Research for a critique of the underperformance thesis*.

It is not disputed that, on the whole, women-owned firms are very small but in fact, as is noted<sup>13</sup>, this descriptor is true of the majority of small firms. The realities of many women's lives require flexible employment which, until recently, has not been considered as conducive for self-employment or business ownership given its association with masculine work.

It is noted that there is now an increasing tendency to use home-based self-employment as a viable solution to the problems of flexible income generation. Interestingly, this flexible approach is increasingly referred to as 'mumpreneurship' by the media, despite it being a popular option for both genders (e.g. Will King, Founder and CEO of King of Shaves, advocates flexible working, which he calls "working from roam".)

**3. Future pathways.** We now need to combine these strands of research to gain a more comprehensive picture of women's experiences of business ownership and how, and if, they differ from those of men. As such, large sophisticated datasets, such as GEM, are essential to describe the characteristics of the self-employed and small firm owners. In addition, drawing from previous research we have a number of broad themes which require further attention; first, far fewer women choose to begin new ventures – this is an almost global phenomenon – so, we need to explore why this difference persists and what solutions might be suggested. Second, why are women-owned firms more likely to be overly concentrated in less knowledge-intensive services which constrain their performance and growth potential? Third, why are women business owners more likely to exit businesses which are not failing?

Within this report we will look more carefully at the issues and evidence regarding these particular aspects of female entrepreneurship. We begin with a mapping exercise, drawing upon the GEM dataset and describe the characteristics of women-owned firms within the UK.

13. Storey, D.J. (2011) 'Optimism and Chance: The Elephants in the Entrepreneurship Room' *International Small Business Journal*, (29) 4 303 – 321.



## 2. Women entrepreneurs in the economy

### 2.1 Attitudes and barriers

Drawing upon the comprehensive GEM dataset, we can describe where women-owned firms are situated in the economy and their operating profiles. In 2011 the GEM consortium measured entrepreneurial activity amongst individuals in 54 economies: 10,573 adults aged 16–80 participated in the UK survey. The GEM UK Total Entrepreneurial Activity (TEA) Index confirms the general picture within the literature that women are less likely to move into self-employment and firm ownership as lead entrepreneurs. Drilling down a little deeper, we can illustrate the entrepreneurial attitudes and reported barriers to growth amongst men and women.

**Figure 3: Entrepreneurial attitudes in the UK by gender, 2002-2011 (18-64 years)**



Source: GEM UK Adult Population Survey 2002-2011

We can see a substantial difference between beliefs of men and women regarding the possession of 'entrepreneurial capital' that is, the skills, knowledge and experience to begin a new firm. Initial levels of capitalisation are strong indicators of the future performance of a new firm. Thus, where the owner has high levels of human capital (education, managerial experience), social capital (extensive networks) and financial capital (income, savings, collateral) the venture is more likely to succeed. Entrepreneurial capital is largely accrued from either previous employment (before becoming self-employed) or prior business ownership. Prevailing evidence<sup>14</sup> suggests that women begin their firms with lower levels of both human and financial capital and this relates to their experiences of employment and serial entrepreneurship. As is well established, women have high levels of human capital in terms of educational attainment but this is still not translated into an equitable share of senior management roles.

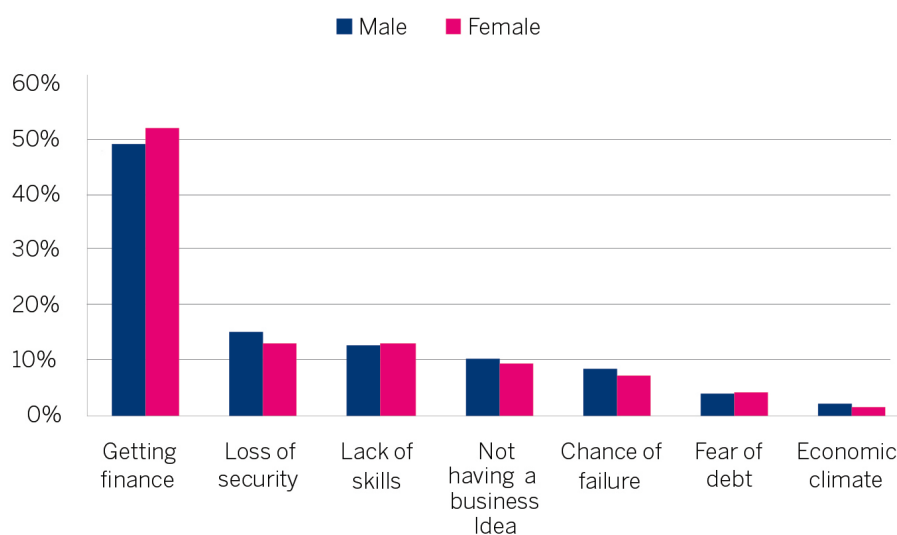
14. Acs, Z., Bardasi, E., Estrin, S. and Svejnar, J., (2011), 'Introduction to special issue: Female entrepreneurship in developed and developing economies', *Small Business Economics*, 37: 393 – 396; Hart, M; Martiarena, A; Levie, J and Anyadike-Danes, M (2011) *Gender, Resource Acquisition and Expected Future Size of Start-ups in the United Kingdom* GEM UK WP No. 1, Aston Business School.

15. McAdam, M. (2013) *Female Entrepreneurship*, London, Routledge (forthcoming)

This affects their access to networks and, crucially, constrains the accrual of financial capital and associated collateral. Essentially, women enter business ownership with lower levels of entrepreneurial capital overall which in turn, affects the sustainability of the enterprise<sup>15</sup>.

Such factors, combined with a lower level of engagement with business ownership and an absence of relevant role models combine to suggest that women, as a population, have lower self-confidence to move into entrepreneurship. When analysed more closely, it is likely that this is not an individualised problem of self-confidence but more an informed assessment drawn from a range of market signals concerning women's suitability and fit as entrepreneurs. This factor aside, it is not surprising that women are less likely to personally know someone who has recently started a new firm given there are fewer women overall in the business population. Similarly, when we assess the perceived barriers to starting a business among those who are not entrepreneurs (see Figure 4 below), again there are relatively few gender-related differences.

**Figure 4: Perceived barriers to starting a business – % of non-entrepreneurial population aged 18-64 years**



Source: GEM UK Adult Population Survey 2004-2010 (except Fear of Debt and Loss of Security: 2008-2010)

This does, of course, suggest a conundrum that if there are few perceived differences regarding barriers, why do more women not move into self-employment or become business owners? As we will see later, the evidence suggests this is due to sectoral influences, role models, entrepreneurial capital and domestic responsibilities – issues not included in Figure 4, above.

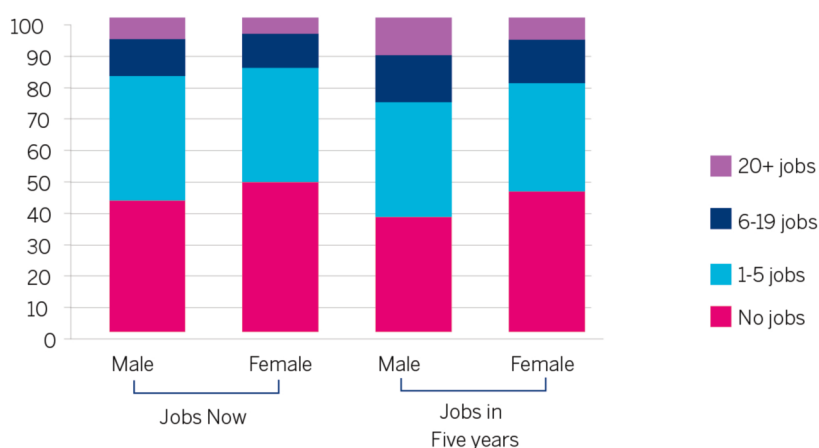
16. Freel, M. Carter, S., Tagg, S and Mason, C. (2012), 'The latent demand for bank debt: characterizing discouraged borrowers', *Small Business Economics*, 38: 399 – 418.

17. Causer, P. and Park, N. (2009) *Women in Business. Regional Trends*: 41: 31-51.

## 2.2. Performance implications

Relatively few female entrepreneurs have grown their firms or intend to do so<sup>16</sup>. Figure 5 describes expectations for growth in jobs over five years – we can see that women business owners have lower expectations of creating any new jobs and they are under-represented amongst entrepreneurs with the fastest growing businesses. In part, this is because women are more likely to own businesses which they run part-time, as Table 2 shows. In addition, the Labour Force Survey, which measures self-employment (which excludes owner-managers who are employees of their own incorporated businesses), suggests that in 2007, 30% of women self-employed and 8% of men self-employed were mainly home-based<sup>17</sup>. GEM data (Table 2, on the following page) suggests that when all business owner-managers are taken into account, this gender-based difference in home-working falls away. The difference between these two measures may be because many people who work for themselves may not see themselves as running a business. It is important to bear this in mind when analysing self-employment data.

**Figure 5: Growth expectations (jobs) of nascent and new business entrepreneurs**



Source: GEM UK Adult Population Survey, 2002-2010

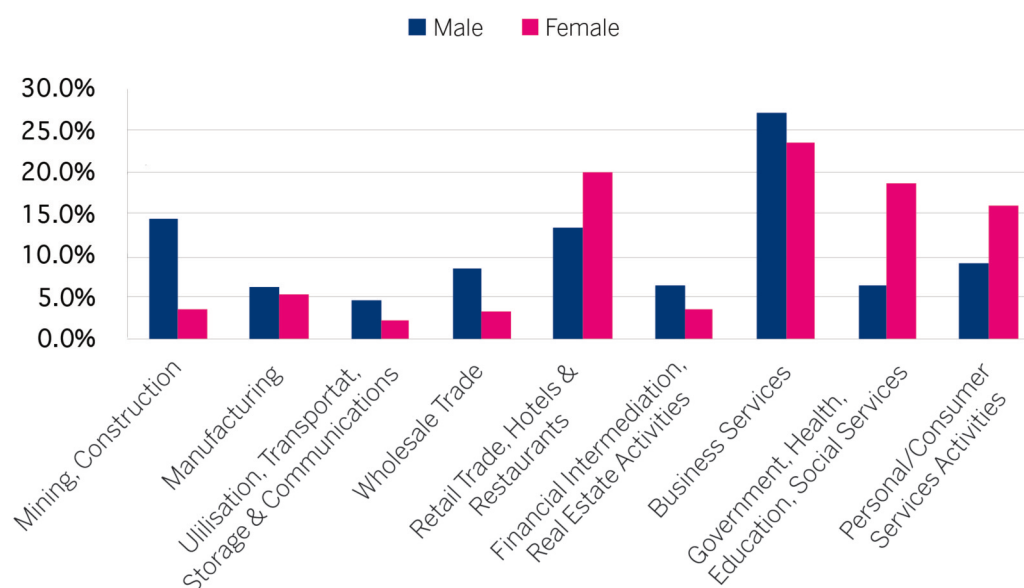
**Table 2: Proportion of women and women owner-managers of established businesses that operate mainly from home or elsewhere, by hours worked by the owner in the business**

Gender	Male			Female		
Location	Home	Other	Total	Home	Other	Total
less than 10 hrs	1.6%	1.4%	3.0%	6.5%	4.0%	10.5%
10-39hrs	14.7%	7.3%	22.1%	28.2%	19.7%	47.8%
40hrs or more	41.5%	33.4%	74.9%	20.2%	21.6%	41.7%
Total	57.8%	42.2%	100.0%	54.8%	45.2%	100.0%

Source: GEM UK Adult Population Survey 2007-2009

Another reason for the difference in average growth rate of women and men-owned businesses may be the tendency for women to begin new ventures in more competitive, less knowledge-intensive services. As shown in Figure 6, women owners dominate all aspects of services with the exception of business services – which include professional service firms of accountants, lawyers, doctors etc.

**Figure 6: Sectoral concentration of start-ups (nascents and new business owners) by gender**

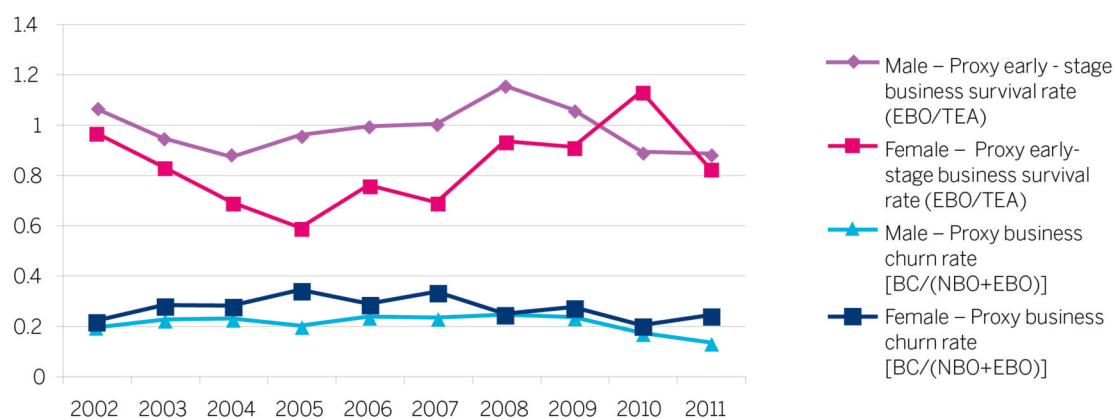


Source: GEM UK Adult Population Survey 2002-2010

Finally, women-owned businesses tend to be less-well capitalised at start-up. This is a reflection both of lower incomes of women and of the nature of the industry sectors women entrepreneurs tend to enter.

Finally, there are gender-related differences in levels of churn (i.e. closure and failure). Figure 7 shows that survival rates tend to be lower and churn rates tend to be higher among women business owners from 2002 to 2011, with the exception of 2010. As explained earlier, exits are not all failures and when non-failure-related exits are factored in, GEM data suggests that the failure rates of women-owned businesses are the same as those of men.

**Figure 7: Business survival and churn (closure and failure) by gender**



Source: GEM UK Adult Population Survey 2002-2011

*Note: The proxy early-stage business survival rate is the established business owner-manager rate divided by the early-stage entrepreneurial activity rate. The proxy business churn rate is the business closure rate (defined as the percentage of working age individuals who closed a business they owned in the last 12 months) divided by the sum of the new and established business owner-manager rate.*

Drawing upon additional quantitative<sup>18</sup> and qualitative evidence<sup>19</sup>, it would appear that some women 'use' business ownership and self-employment differently from men. Women are much more likely to own part-time enterprises and, if self-employed, to be self-employed at home. They are also more likely to accept lower financial returns. This reflects trends in employment where women's position as secondary earners with additional responsibilities for domestic/caring labour requires a trade-off between work flexibility and income. This in turn, results in a higher toleration of marginal returns/performance and lower growth ambitions when balanced against flexibility and home centred work. In addition, more women use self-employment as a temporary solution to combining child-care and income generation at specific points in their life, seeking to select back into employment when they feel it is appropriate<sup>20</sup>. Labour Force Survey results from April to June 2007 showed that 20% of self-employed women gave "family commitments/wanted to work at home" as a reason why they became self-employed, compared with 4% of men. Fifteen per cent of men gave "make more money" as a reason, compared with only 9% of women<sup>21</sup>. As we showed earlier, the intersection of domestic responsibility, gender and entrepreneurial activity needs to be factored into any discussion of business survival, growth and churn, this is particularly true of self-employment rather than business ownership (see Box 1).

### Box 1 Case study example: KS services

Karen is a qualified accountant who previously held a senior management position with one of the large corporate accountancy firms. Due to child care costs and work pressures, Karen resigned her post and became self-employed. Her firm, KS services offers gardening services whilst, in addition, Karen informally undertakes book-keeping work (tax returns, VAT returns) for a few other small firm owners. In her own words:

"Even after the children went to school, I was paying a fortune in child care and was completely stressed trying to juggle home and work. My husband works in London so he is gone at 6.30 and is not back until 7 at night so no help at all. In the end, I decided to follow my passion for gardening and started doing friends gardens at weekends and decided to turn it into a business. The pay is laughable but, I work locally, choose my hours, am not paying for child care, I see the kids, I am doing something I like, and to be honest I top it up with a few tax returns and stuff, particularly in the winter. My husband has a good job so money is not too pressing. Of course, when the children are in senior school, I will go back to a proper job. My previous employer is constantly in touch and has even offered me part-time hours so this business is just handy for me."

## 2.3 Summary

A rather complex picture emerges here in terms of attitudes towards entrepreneurship and firm performance. We can see that men are more likely to know entrepreneurial people but gender-related differences in terms of barriers to start-up are not substantial. Once operating in business, a number of external influences will influence firm performance – these are capital, sectoral and operationally related - and do have gendered connotations. Thus, because of socio-economic reasons (prior employment, greater caring responsibilities) women may possess lower levels of entrepreneurial capital which, in turn, constrain their likelihood of self-employment or business ownership. Relatedly, traditional expectations of appropriate 'women's work' are reflected in sectoral entrepreneurship entry choices, with most women channelling their business activity towards less knowledge-intensive service sectors. Such choices, again in combination with domestic responsibilities, fuel greater levels of volatility but this scenario is clouded by toleration of lower returns from the business. Probably the only clear outcome of this assessment is that women do not have any individual or collective 'entrepreneurial deficit' but for many their socio-economic position in society is highly influential in shaping their attitudes to and success as small firm owners.

18. Causer, P. and Park, N. (2009) *Women in Business. Regional Trends*: 41: 31-51.

19. Duberley, J and Carrigan, M. (2012) *The career identities of 'mumpreneurs': Women's experiences of combining enterprise and motherhood*, DOI: 10.1177/0266242611435182

20. Jayawarna D, Rouse J and Kitching J (2011) *Entrepreneur motivations and life course. International Small Business Journal* 29(1): 1–23.

21. Causer, P. and Park, N. (2009) *Women in Business. Regional Trends*: 41: 31-51.

## 3. Business funding

### 3.1 Introduction

It is probably fair to say that one of the most enduring beliefs pertaining to small business owners – particularly women – is that they are persistently denied access to appropriate and affordable funding. It is popularly suggested that the root of this problem arises from bank caution and reluctance to readily supply finance to the sector<sup>22</sup>. If this ‘problem’ could be addressed then, it is argued, many more people would start new firms and existing ventures would grow so creating more wealth and new employment. In addition, if funding inequities for groups such as young people, ethnic minorities and women could be eliminated, then these groups would be more inclined to act upon their entrepreneurial intentions and so add much needed impetus to the economy<sup>23</sup>.

Existing research in this field however, suggests this is both a simplistic and distorted analysis of small firm funding which takes little account of the differences between supply and demand for funding, levels of risk and uncertainty, owner preferences and the complexity of lending decisions<sup>24</sup>. Rather, the nature and position of women-owned firms in the market and their funding requirements are more influential upon the type and amount of finance demanded<sup>25</sup>. To explore these issues in greater depth we present evidence on supply and demand issues, owner funding preferences, evidence pertaining to women’s use of business finance and related implications of these issues.

### 3.2 Small firm finance: supply and demand

The popular image of the small firm finance market is one of constraint and frustration whereby most entrepreneurs are denied much needed finance by unsympathetic bankers. A closer examination of the funding situation, however, suggests a rather more complex situation which requires a discriminatory analysis between demand, supply and discouragement. The broad balance of evidence suggests that most small firms do actually have access to adequate and preferred forms of finance. As such, there is relatively little unsatisfied demand in the sector as a whole<sup>26</sup>. This largely reflects the nature and profile of the majority of smaller firms as marginal performers with few growth ambitions.

In terms of start-up firms it has long been demonstrated that the main sources of funding are personal savings, followed by the three ‘Fs’ of funding<sup>27</sup>: ‘family, friends and fools’. Given the risks and uncertainties surrounding new ventures (and, for the most part, their small scale) sourcing formal funding is more challenging – and perhaps, rightly so given the various ‘liabilities of newness’ attached to young firms. Consequently, whilst using bootstrapping, seed corn and informal funding is associated with under capitalisation and does appear to have implications for future growth and sustainability, it remains the fact that this appears to be the preferred option for most new start-ups. Figure 8 offers an overview of sources of funding of start-ups and shows few gender-related differences.

22. *The Guardian*; March 16th 2012: ‘Businesses face £190bn funding gap in five years, report warns’

<http://www.guardian.co.uk/business/2012/mar/16/businesses-190bn-funding-gap-report>.

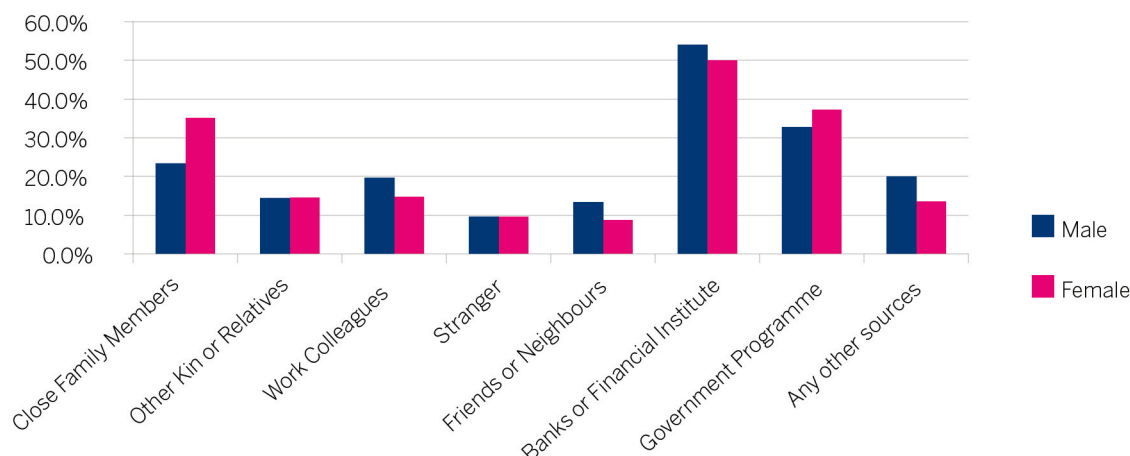
23. Cavalluzo, K and Cavalluzo, L (2002) ‘Competition, Small Business Financing, and Discrimination: Evidence from a New Survey’, *The Journal of Business*, 75 [4] 303 – 319.

24. Storey, D.J. and Greene, F. (2010) *Small Business and Entrepreneurship* London, Prentice Hall.

25. Carter, S., Shaw, E., Lam, W. (2007) ‘Gender, entrepreneurship, and bank lending: the criteria and processes used by bank loan officers in assessing applications’, *Entrepreneurship, Theory and Practice* 31 427 – 441.

26. See footnote 15

27. See footnote 16

**Figure 8: Sources of start-up funding (excluding personal savings) reported by nascent entrepreneurs**

Source: GEM UK Adult Population Survey, 2002-2010

Regarding established firms, as is consistently confirmed through research<sup>28</sup>, the majority of small firm owners have few ambitions to grow their businesses but wish to maintain them as sustainable and profitable. This is hardly surprising; it is evident that most employees have few ambitions to be CEOs. Equally, most small firm owners have no career ambitions to grow their firms into large, complex organisations<sup>29</sup>. Thus, the preferred approach to financing such firms is through retained profit or, despite the costs, overdrafts and credit cards. This is because beyond the first agreement (and unlike term loans etc.) they do not require specific business plan applications, are flexible, available and if maintained within the limit – free from close surveillance. Formal loan applications are unlikely, unless very specific funding is required for capital purchases, to support growth strategies or when the more flexible alternatives (such as overdrafts/credit cards/supplier credit etc.) become insufficient.

It is not disputed that the funding preferences and demands of many small firm owners are not the most efficient or effective. Indeed, it is evident that general under-capitalisation and the high cost of these options are detrimental to performance. Yet, this does not dissuade most owners from such preferences or encourage them to demand higher levels of formal funding.

In terms of supply, there is evidence that for those without recourse to the three 'Fs' or who lack personal savings, attaining formal debt or equity finance is difficult as they are coming to the market with little collateral or a track record. For many of these new ventures, government backed schemes guaranteeing funding have been very useful. The other segment in the market which appears to experience challenges in finding appropriate finance are high growth firms or innovative firms which require high capital investment prior to revenue generation. For these firms equity finance should be filling the funding gap but indications are that for this cohort of firms, supply is challenging and a gap does exist<sup>30</sup>.

The last category mentioned is that of 'discouraged borrowers'; these are firm owners across the sector who require formal funding to begin, sustain or grow businesses but do not actively seek it out as they believe their applications will be denied. Evidence<sup>31</sup> indicates that this assessment is fairly accurate on the part of the firm owner but nevertheless, there is a notable minority within the discouraged group who would be good candidates for formal funding.

28. See footnote 15 & 16

29. Hansen, B and Hamilton, R. (2011) 'Factors distinguishing small firm growers and non-growers, *International Small Business Journal*, 29 [3] 278 – 294.

30. Coleman, S and Robb, A. (2012) *Financing Strategies for women-owned firms*, Stanford Publishing.

31. See footnote 16



Thus, from this very short scene setting overview, it is apparent that despite popularised accounts of recalcitrant bankers and finance starved small firms, this is not an accurate assessment. The reality of the picture is far more complex. One facet of this complexity we now turn to is how gender influences this scenario and, in particular, whether female entrepreneurs experience discrimination when starting or growing their enterprises.

### 3.3 Debt funding

Drawing from the evidence, it emerges that – similar to their male colleagues – women business owners prefer to utilise informal sources of finance (savings, family loans) and those which attract relatively little provider scrutiny – credit cards, overdrafts<sup>32</sup>. As such, women's preferences reflect the established 'pecking order' regarding funding choices.

There are two areas of gender-related difference which deserve further comment and explanation: the cost and the amount of business funding demanded. On first look, women-led businesses' borrowing activity suggests they (i) utilise lower amounts of formal funding and (ii) they pay higher borrowing costs<sup>33</sup>. On closer inspection – and once business characteristics such as age, size, and sector are accounted for – we see that the first of these statements is true. Women-led businesses are indeed significantly less likely to be using external finance than men-led business<sup>34</sup>. They do not, however, pay higher borrowing costs. Any apparent difference is related only to the profiles of their businesses.

### 3.4 Equity funding

In terms of equity finance, we know there are very few women in this sector as either funders or entrepreneurs, although there are some high profile "role models" such as Julie Meyer, of Ariadne Capital, and Dale Murray, who was named British Angel Investor of the Year 2011. But there is very little research which specifically explores this issue. Drawing upon the profile of firms more likely to seek equity injections, as there are relatively few women entrepreneurs operating in high growth manufacturing, services and/or science, engineering and technology sectors there will be correspondingly few seeking equity finance or higher level debt funding.

### 3.5 Risk aversion

On the whole, it has often been argued that women are more risk averse than men<sup>35</sup>. This in turn, affects their business funding decisions regarding both the type and amount of finance sought. There is an established body of evidence<sup>36</sup> which indicates that gendered socialisation influences do shape entrepreneurial risk perception and risk propensity. As such, women demonstrate greater financial caution in their borrowing behaviours. Again, such differences are not overly significant if we bear in mind that most small firm owners are conservative borrowers. The key area risk aversion impacts upon is the decision to grow the firm. Here, we can see that women are more affected by social factors such as the desire to maintain a home-based, part-time business to combine domestic and economic activities. This clearly affects their growth ambitions. In addition, given that women are likely to begin their firms from a lower capital base, expansion is both more difficult and presents greater risk given a more fragile operating base. It would appear, then, that women tend to be more risk averse (or less over-optimistic) but to some degree, this is justified given social and capital constraints.

32. See footnote 14

33. Fraser, S (2004) *Finance for Small and Medium-Sized Enterprises: A Report on the 2004 UK Survey of SME Finances*, University of Warwick CSME Working Paper.

34. Davies, S (2012) *Women-led businesses; analysis from the SME Finance Monitor YEQ1 2012*.

35. See, for example, Olsen and Cox (2001) 'The Influence of Gender on the Perception and Response to Investment Risk: The Case of Professional Investors', *Journal of Psychology and Financial Markets*, 2 (1), 29-36.

36. Kepler E and Shane S (2007), *Are male and female entrepreneurs that different? SBA Research Summary No.309, September*.



### 3.6 Gender and finance

There is no evidence for overt gender discrimination in terms of bank lending, however, it would be misleading and simplistic to suggest that gender does not matter. It does. The reason why women business owners are more likely to be concentrated in low knowledge-intensive services (and so demand lower levels of finance) is a gender issue as it reflects social expectations of appropriate work for women. As such, women are more likely to end up in both employment and self-employment which is considered of lower value and worth. Equally, women are more likely to own part-time and home-based businesses. This again fits a gendered pattern as it is more generally expected that women will combine economic activity with domestic responsibilities. For such reasons, we see far fewer women in growth-oriented firms or in sectors associated with higher added value and in turn, this influences their funding needs and choices (see Box 2).

#### Box 2 Case study: Innovating resource solutions

Kate left her career as software logistics designer with a large corporate to begin a new firm focused on the design and implementation of software to manage resourcing problems for manufacturing firms. The new firm was based in a business incubator; funding was required to design, test and market the software packages thus, investment prior to revenue generation was critical. In Kate's words:

"My family encouraged me to go it alone and also, drew my attention to business incubation which I didn't even know about. In terms of funding, I wasn't sure - they have regular funding seminars here (events where potential investors make presentations regarding financial products, meet entrepreneurs and build networks) but I feel I was steered away from equity funding by the [incubator] managers and guided towards debt funding – this has actually suited me and I also had quite a lot of personal finance to help but of course, it has put some limits on what was available to keep us going in the early days.

What I did find slightly annoying was being singled out as different and even special just because I was a woman – I also felt the [venture] fund managers – who are also men – don't quite know how to deal with women like me. I think the finance package I got was right for our company as I didn't want to go too big, I want to keep it manageable, but if I had really wanted to get a big chunk or equity funding I suspect I would have struggled."

### 3.7 Summary

The evidence suggests that the majority of small firm owners adopt a cautious approach to funding. Therefore, it would appear that for most owners, there is a sufficient supply of funding within the market to meet their demands. That is not to say that firm owners necessarily choose the most cost-effective or efficient funding option as it would appear that availability and easy access are key influences upon the funding decision. Such preferences are sustainable given that most small firms have no growth intentions and as such, do not pursue more formal sources of either equity or debt funding. On the whole, women-owned firms are no different from the general population of co-owned, male-owned or family-owned firms in this respect. For example, once the business characteristics (e.g. size, age, sector, risk rating) are taken into account, women-led businesses do not pay higher borrowing costs than men-led businesses. It is notable that equity finance is a male-dominated bastion – there are relatively few women venture capitalists and equally, very few women seek or are offered equity funding. This reflects their low levels of involvement in the sectors preferred by equity funders. Women's apparent lack of participation as innovative entrepreneurial venturers is, of itself, a gendered issue.

## 4. Role Models

### 4.1 Entrepreneurial role model influence

The social importance of role models is well established. Such figures are celebrated as those who best capture all the stereotypical expectations we have of how a particular character should look, act and speak. In turn, if we can identify with any of the various aspects of such role models (whether positive or negative) it suggests that we too can be like them in terms of achievement, status and social regard. In respect to entrepreneurial role models, there are very strong representations of 'the entrepreneur' which have changed quite noticeably over recent years.

Looking back to the period after the Second World War, until the 1980s, the entrepreneur was most likely represented as a so called 'spiv' – a semi-criminal disreputable character operating on the margins of society. Since the emergence of the enterprise society in the 1980s, this characterisation has changed markedly such that the contemporary entrepreneur is portrayed as a positive role model being an innovative wealth creator fuelling economic growth. Indeed, there are now popular television programmes encouraging entrepreneurship whilst entrepreneurship education is now deemed a critical part of the school and university curriculum.

However, one aspect which has not changed is the persistent masculinity of the ideal entrepreneur<sup>37</sup>. Men dominate as entrepreneurial role models largely because the stereotypical traits linked to entrepreneurs – competitive risk takers in pursuit of great wealth – are very strongly associated with masculinity. This is despite the fact that the so called 'hero' entrepreneurs – the Richard Bransons, Bill Gates and James Dysons of this world are relatively rare and whilst certainly entrepreneurial innovators, are CEOs of multi-national companies – not the sole proprietors and small firm owners such as those which dominate all economies.

### 4.2 Role model implications

Whilst successful role models act as positive examples to encourage potential innovators to act upon their ideas, the persistent masculinity within such representations is highly damaging to the aspirations of girls and young women. Role models indicate how people might 'fit' into an expected and understood character – as such, links are made between the role model and the individual. In the case of self-employment, business ownership and entrepreneurship, it is quite evident that the stereotypical character in this scenario is a man and as such, this acts to discourage young women who do not reflect this stereotype – they feel they do not 'fit'<sup>38</sup>.

An investigation into the delivery of entrepreneurship education<sup>39</sup> illustrates this argument as within contemporary universities, the figure of the entrepreneur described within research, teaching material, popular media representations etc. is inevitably male – the small business 'man'. When women are discussed, they are singled out as 'female' entrepreneurs (thereby suggesting that the 'normal' entrepreneur is a man). By uncritically incorporating such stereotypes into contemporary role models within university teaching, not only is the normal entrepreneur confirmed as a man, this in turn suggests that only male students can legitimately aspire to these role models.

37. Ahl (2006), as above – see footnote 10.

38. Gupta, V.K., Turban, D. B., Wasti, S.A and Sikdar, A. (2009). 'The Role of Gender Stereotypes in Perceptions of Entrepreneurs and Intentions to Become an Entrepreneur', *Entrepreneurship Theory and Practice* 33(2), 397-417.

39. Jones, S. (2011). *A Bourdieuan Approach to Researching HE Entrepreneurship Education and Gender*, Unpublished PhD Thesis: Leeds Metropolitan University, Leeds, UK.

Now quite clearly, young women do go on to found new ventures but, as was noted at the beginning of this report, men are twice as likely as women to begin new firms and this imbalance is evident upon a global scale. Assessing the content and message of popular role model representations and how they are used in the media, education and other influential economic and social contexts to promote entrepreneurial activity is essential to encourage more girls and young women to consider business creation as an acceptable and accessible career choice. The experiences of Louise Allcroft, the founder and CEO of Complement Genomics Ltd are a useful illustration of the importance of role models (see Box 3).

**Box 3****Case study: Louise Allcroft – Complement genomics Ltd**

“Throughout my time at school and at University I had no idea of what I wanted to do for a career and ended up ‘falling’ into genetics (which ironically was a subject that I actually found horrendously boring at A-level!). I met my business partner, in 1998 and in 2000, our firm, Complement Genomics Ltd [a DNA testing business] was founded – and we haven’t looked back since! Between us we had a good skill set that together complemented each other and allowed us to work well together too.

The early days were very hard. Running a business - any business, whether it is one like ours or indeed, a hairdressers or a shop - is a very steep learning curve and it can be quite a lonely experience too. Your work colleagues are now your employees and you now have this massive obligation to make sure you can pay them (as well as all of the other bills) at the end of each month. Being a relatively young female entrepreneur was quite difficult for me. (I was 28 when I started.) I often felt ‘inadequate’ in meetings particularly as 99% of the time these meetings would be men only and men who were in/closer to my dad’s generation rather than my own. Thankfully, most of the time, I had nothing to worry about – and in some ways my age and gender was an advantage as it probably took them by surprise to do business with a girl young enough to be their daughter but who actually owned and was a director of the company that they were about to do business with. They had to listen!

Ever since Complement was formed we have always had fantastic support – not only from family and friends but also from the region. Business Link, ONE North East, Sunderland City Council, the BIC, Entrust, the Entrepreneurs Forum have been fantastic in championing CGL not only in the form of financial support e.g. grants and loans but also in being able to just have a discussion about business ‘in general’ as many of the people in these organisations e.g. the Entrepreneurs Form, have often been there and done it (or are still doing it!) themselves – and that advice and those anecdotes are worth their weight in gold.

No matter what your business does, no matter how many £000’s you have at the end of your balance sheet, your problems are all the same and shared by all businesses alike no matter how big or small. I was lucky enough to win a place on an Institute of Directors’ course (Diploma in Company Direction) through another very useful support network, WIN (Women into the Network) and although the lectures were really interesting and informative what I really enjoyed and learned most from was in fact the other students i.e. other company directors!

**4.3 Summary**

In summary, role model representations of entrepreneurs are enduring and difficult to challenge. Prevailing role models reflect a masculine bias and this is reinforced in popular media, education and government policy. This needs to change.

## 5. Summary and recommendations

### 5.1 Summary

In this report, we described and reviewed the influence of gender upon entrepreneurial intentions, self-employment and business ownership. Specifically, we explored women's entrepreneurship. From the evidence presented we found that there are three main gender differences – in start-up rates, the nature of the businesses they run and growth intentions. In addition, we found a rather complex picture of business financing and expressed concern regarding popular depictions of entrepreneurial role models. The evidence is unequivocal regarding start-up rates. On a global scale women are less likely to start new ventures. Within the UK, women are about half as likely to begin new firms as men and this figure is broadly in line with the European average but significantly different from the US where the rates are much closer. We conclude this reflects women's lower base rate of entrepreneurial capital which is constrained by previous employment, greater domestic/caring responsibilities, plus a lower presence in areas traditionally associated with self-employment (e.g. construction) and a smaller number of female entrepreneurial role models.

Regarding growth profiles, we note that very few small firms will ever grow and those that do are unlikely to sustain growth trajectories over time<sup>40</sup>. Notwithstanding this evidence, women are under-represented amongst such firms. We suggest this is, to some extent, sectoral as women are not well represented in sub-sectors with high value added capacity (but we note that growth firms are spread across all sectors). This in turn reflects earlier segregation from areas of education and careers which act as a platform for high-growth entrepreneurship. Additionally, the tendency for greater numbers of women to use self-employment on a part-time or home-based footing to combine caring responsibilities and income generation with the intention of eventually returning to waged employment mitigates against growth ambitions.

Analyses of access to finance for start-up offer a rather more complex picture; the evidence indicates that women are more likely to depend on informal funding, request smaller amounts of debt funding, and rarely apply for or receive equity funding. Yet, there is no evidence of direct discrimination against women. Sector, operating profile, firm size and business age are crucial in understanding the outcome for women as they seek external finance. Combining all these factors it appears that higher rates of churn of women-owned businesses ensure a younger and smaller population of women-owned businesses. These newer smaller firms represent higher rates of risk and so are more likely to be denied formal loans; this may have a further knock-on effect as owners become less likely to consider formal sources of finance in anticipation of refusal.

Firms in sectors which require low rates of start-up capital and operate part-time and/or are home-based are less likely to seek formal funding and certainly not equity funding. Given the profile of women-owned firms, they will tend seek smaller loans which in turn, attract higher costs. Thus, whilst there is no doubt that gender influences the market position of women-owned firms (i.e. the size, sector and type of businesses that they run), women do not pay higher costs than men once these business characteristics are taken into account.

<sup>40</sup>. See footnote 12

Finally, there is no doubt whatsoever that the very small number of credible and successful female entrepreneur role models is highly detrimental in encouraging women to consider entrepreneurship as a career where they will 'fit' and be considered credible and legitimate. The dominance of the male role model is reflected in popular media, education, research and policy formation. While this is beginning to change, we still have a long way to go. Until this prejudicial bias is addressed, entrepreneurship will continue to be presented as a 'man's world' where the small business man is the natural representation of the normal entrepreneur. Institutional pressures position women in disadvantage in relation to entrepreneurship and self-employment.

In summary, it is not individual women who need special help to change their attitudes towards business start-up and growth nor indeed is it the prejudicial attitudes of banks which thwart their entrepreneurial ambitions. Rather, there is a more complex combination of socio-economic factors related to education, careers, domestic responsibilities and role models which effectively dissuade more women than we might otherwise expect from considering entrepreneurial activity and self-employment. When they do decide to set up their own business the evidence indicates that by and large, despite stereotypical and popularised opinion, there are few overall gender-related small firm performance differences when the context of these businesses is taken into account.

## 5.2 Recommendations

These recommendations seek to provide a framework for strengthening the role of women in driving entrepreneurship in the UK. We do so in the knowledge that many overlap with previous recommendations and initiatives. But it is clear that more needs to be done if we are to make a long-term significant change in the arena of women's enterprise.

- **Role models:** Entrepreneurial role models play a critical role. There have been many examples of how this can be done successfully: current examples include everywoman and the Female Entrepreneurs Association (FEA). Some specific recommendations for role models include:
  - female ambassadors in key business sectors are needed to showcase achievements and encourage more girls/young women to engage in business ownership as a preferred career;
  - Innovations in the portrayal of enterprise and entrepreneurial role models in the media is long overdue. It needs to move away from a preoccupation with pure entertainment and move towards the reality of starting and running a successful business;
  - Challenging associations between gender and entrepreneurship is imperative. It should not be special or extraordinary for girls and women to be active in entrepreneurial activities.

- **Mentoring:** Role models can only go so far. They raise awareness and inspire but they are unable to deliver the required outcomes on their own. Mentoring is seen as an important way of sustaining start-ups and building growth ambitions and current provision needs to be strengthened. Finding appropriate and challenging mentors for women business owners can be difficult. This means encouraging more women mentors but also raising awareness of gender bias among staff of existing business support organisations. More schemes such as those within the Inspirational Journey initiative developed by RBS/NatWest would add value in this area.
- **Non-gender business networks:** In addition to women business networks such as everywoman, women business owners need to be connected to business networks which are not defined by gender but by a shared experience and trust as well as a shared ambition. Business Schools can provide an environment to enable that to happen but too often they are caught up in the male-dominated corporate world and are less connected to the host of successful women business owners on their doorstep. Building networks of growth-oriented small business owners (both women and men) through seminars, workshops, short courses (delivered in novel ways embracing social media) should be high on the agenda of all UK Business Schools and colleges. The Gazelle Group of Further Education colleges are a relatively new and exciting development in this space.
- **Entrepreneurial aspiration:** Schools, colleges and universities represent a unique opportunity to foster entrepreneurial aspiration among girls and young women. There are many enterprise initiatives in the education sector across the UK, and these need to be supported more intensively and connected to tangible rewards for young people. The current generation of "born digital" or millennials provides new opportunities for virtual/online initiatives and "game-ification" to encourage engagement. Starting a business while in full-time education should not be seen as a side-line or extra-curricular activity by young people but integrated into the core curriculum with the appropriate rewards. The developing national network of 'enterprise academies' provide an opportunity for those with a specific interest in entrepreneurship to develop their skill sets in very different ways.
- **Business finance:** Funding remains an issue for business owners and there would appear to be a particular need to ensure that the financial institutions are responding to the needs of women business owners. However, the picture is complex and it is sometimes unhelpful to analyse simply by a gender split. A stronger emphasis upon evidence which challenges assumptions of gender discrimination is vital including developing a more robust analysis of data regarding the use of financial products, including term lending which looks at gender in the context of business age, sector and size.



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